Electra Kingsway VCT Plc

Report & Accounts

30 September 2007

2007

Contents

References in this Report to Electra Kingsway VCT Plc have been abbreviated to "the Company" or "the Fund". References to Electra Partners Group Limited and its subsidiaries, including the Investment Manager, Electra Quoted Management Limited, have been abbreviated to "Electra Partners Group". References to Electra Quoted Management Limited have been abbreviated to "Electra Quoted Management".

Investment Objective

The Company's objective is to achieve long term capital gains and tax free dividends to its shareholders. This will be achieved by investing the majority of the Company's Funds in a portfolio of qualifying investments. Venture Capital Trusts allow investors significant tax benefits provided that the Fund complies with the VCT investment rules. These rules are designed to encourage venture capital investment in smaller companies.

Investment Strategy

The strategy is to invest in a portfolio of qualifying unquoted and AIM listed companies which are well diversified by sector focus. As these investments mature the Investment Manager will seek to sell them at a capital profit and distribute the uplift as a dividend. The original capital will be reinvested into new qualifying companies. This strategy should ensure long term capital growth and a regular flow of dividends to shareholders.

The Fund will co-invest alongside the other Electra Kingsway VCTs which will enable shareholders to participate in larger unquoted transactions, which tend to have a lower risk profile than smaller venture capital investments. The majority of unquoted investments are structured in such a way as to give the Fund downside protection with significant voting rights.

The Fund will also invest up to 25% of its assets in a combination of two managed funds: Electra Private Equity and Electra Active Management. These funds enable further portfolio diversification.

Qualifying Investments

Qualifying companies tend to be small companies that have higher risk profiles than larger well established companies. The Investment Manager seeks to reduce the risk of investing in these by selecting companies that are well managed and have a proven and sustainable business plan. Investments are also selected on the basis of their potential to deliver long term capital growth. This often entails building companies through organic growth and bolt on acquisitions. The holding period for investment is typically five years after which time it would be hoped to achieve a profitable exit.

Annual Review Financial Highlights

Ordinary Shares

Year ended 30 September	2007	2006
Net assets	£15.7m	£21.3m
Net asset value per ordinary share	78.7p	102.0p
Dividend paid per ordinary share	1.5p	2.5p
Cumulative Return to ordinary shareholders since Launch		
Dividends paid per ordinary share	12.1p	10.6p
Net asset value plus dividends paid per ordinary share	90.8p	112.6p

C Shares

Period ended 30 September	2007	2006
Net assets	£8.4m	-
Net asset value per C share	92.3p	-

Annual Review **Chairman's Statement**

Results

Ordinary Shares

Overview

As at 30 September 2007 the net asset value ("NAV") per ordinary share was 78.7p. This, plus dividends already paid, gives a total of 90.8p a share, against the NAV at inception of 95p a share. Compared with the figure a year ago, though – 112.6p - the total return has declined by 19.4%.

The explanation for this steep decline is that both parts of the portfolio have been badly affected. The AIM investments (accounting for 40% of the portfolio) have suffered some sharp falls; and five of the unquoted investments were reduced in value, two of them to zero. Details are provided in the Investment Manager's Review.

By 30 September 2007, the Company had met the VCT qualification requirements.

Portfolio Activity

As the portfolio started the year fully invested, the opportunities for making new investments were limited. However, £1.8 million was invested in follow-on financing, which was funded by realising the holding in Electra Active Management. After the year end, one new investment was added, Fin Machine Company, a manufacturer of capital equipment for the motor industry, where the three Electra Kingsway VCTs committed a total of £5.5 million. This investment is a good example of the benefits of co-investing with the two other Electra Kingsway VCTs, which allows shareholders access to larger and potentially more profitable unquoted investments.

Dividends

During the year an interim dividend of 1.5p per ordinary share was paid to shareholders on 7 August 2007. The dividend was paid out of opening reserves. This brings the cumulative dividends paid to 12.1p per ordinary share. As the underlying investments start to mature, the opportunities for disposals will increase, which should allow for larger dividends.

C Shares

In January 2007 a C share issue was launched, and it eventually closed on 30 April 2007, having raised £8.6 million (net of expenses) from investors. By the year-end, just over £4.4 million of this had been invested in six qualifying companies, four of which were unquoted. This encouraging pace of investment should ensure that the C share pool is invested well ahead of schedule.

Share Buybacks

The Company operates a share buyback policy at a 10% discount to the last published NAV per share, subject to a limit approved by shareholders. This facility operates throughout the year, so any investor wanting to sell shares back to the Company should contact the Investment Manager. During the year the Company purchased a total of 977,320 of its own ordinary shares for cancellation.

March 2007 Budget

The 2007 Budget contained further changes to VCT regulations, which will have some impact on the industry's future - although none of the changes affects your Fund. The two main changes limit VCT investments to companies with gross assets of less than £7 million and fewer than 50 employees.

The Investment Manager

In 2007 the investment management team established a limited liability partnership ("LLP") called Acuity Capital LLP, which is owned by members of the management team. The team is in negotiations to acquire, from Electra Partners Group, a majority interest in Electra Quoted Management, the Investment Manager of the Company. The Board believes that this will be beneficial to shareholders as it will enable the Investment Manager to incentivise existing employees and recruit high calibre individuals to the team. Acuity Capital will maintain close ties with the Electra Partners Group, which will have a minority shareholding in Acuity Capital.

In order to reflect the formation of Acuity Capital LLP, the Board recommends to shareholders that the name of your Fund be changed to Acuity VCT Plc. A resolution will be put to shareholders at the next AGM.

Outlook

After such a disappointing year, it would be wrong to suggest that the Fund is now in calmer waters. Much will depend on economic conditions generally, and these are particularly hard to predict.

Rupert Pennant-Rea
Chairman
23 January 2008

Annual Review **Investment Manager’s Review**

It has been a difficult year for the Fund with a number of valuation movements against a backdrop of increasing uncertainty in equity markets. On the positive side there were good valuation uplifts from Advanced Medical Solutions (“AMS”) and Music Copyright Solutions (”MCS”) both rising in the period in response to good underlying trading. In particular AMS, which manufactures wound dressings for the NHS, reported another strong set of results and looks well placed to continue to grow. MCS specialises in administering and managing copyrights. During the year, the company announced a number of new administration deals in the USA and Asia. However, these uplifts were offset by a number of valuation decreases. The most significant of these were in Media Square, Conquest Business Media, Defaqto and Happy Times. Media Square, to some extent, had been oversold by the market and has since started to recover from its lows in August. Sanastro is recovering under new management and Conquest Business Media and Happy Times were both written off due to continuing trading difficulties.

The C share portfolio has got off to a good start with a high level of investment activity. During the period six investments were made in qualifying companies with a further investment made after the year end. The main investment focus is in unquoted companies where the Investment Manager has identified good growth opportunities supported by strong management teams. In particular a number of the companies have been acquired on the basis of buy and build opportunities within fragmented market sectors. An example of this is Gyro, which since our original investment has acquired and integrated four further companies. Whilst the majority of the Fund’s investments are unquoted, two AIM investments were made in the year in profitable companies trading on low valuation multiples. With the current global financial uncertainty AIM has become increasingly volatile as investors have sought safer and more liquid blue chip stocks.

During the year investments were made in the following new companies the majority of which were acquired by the C share portfolio:

Emote Games is a specialist cross platform publisher of interactive gaming content. Founder & CEO Morgan O’Rahilly is one of the gaming industry’s most respected executives, having previously been the CEO of Ifone, the UK’s most successful mobile games publisher. The video games industry is entering another cycle of growth driven by new games hardware releases from Microsoft, Nintendo and Sony. Within the industry, one of the fastest growing segments is networked gaming, where players have the ability to play against each other remotely using the internet and mobile networks.

Sport Media Group sells digital media content through mobile telephones via the internet to mobile customers of major UK network operators and users of leading UK internet key search engines. In 2007, the company acquired Sport Newspapers which made strong commercial logic as it merged a content provider with a strong digital distribution platform.

Acrobat Music is an established vehicle set up to acquire and exploit music master rights. Master rights are created when a composition is recorded and are usually assigned to the financier of the recording for life of copyright (typically 95 years). Owners of master rights, most often record companies, are entitled to royalties from the sale of their recordings (via CD or digital download) as well as clearance fees for the use of recordings in audio-visual productions. They also derive revenues from licensing recordings for exploitation by third parties.

The Fin Machine Company was a transaction completed after the year end. The company is a market leading manufacturer and supplier of capital equipment used to manufacture heat exchangers in the automotive industry. The company has shown good historic growth rates and has a significant further opportunity in the air conditioning market. The transaction was structured as a Buy-in Management Buy-out with the management team having a significant equity holding.

Annual Review **Portfolio Summary**

Ordinary Shares	Cost at 30 September 2007 £'000	Valuation at 30 September 2007 £'000	Valuation Movement in year ended 30 September 2007 £'000	% of Portfolio by Value
Ten Largest Qualifying Investments				
Defaqto Group Limited	1,100	1,533	(740)	10.1
Advanced Medical Solutions Group Plc	487	1,519	888	10.1
Gyro International Limited	375	1,427	81	9.5
Music Copyright Solutions Plc	500	824	662	5.5
Hill Station Plc	1,283	811	(535)	5.4
Ma Hubbards Limited	750	750	-	5.0
Amber Taverns Limited	750	750	-	5.0
Keycom Plc	1,705	578	(173)	3.8
Hallmarq Veterinary Imaging Limited	1,300	554	(801)	3.7
Media Square Plc	1,122	525	(618)	3.5
Other qualifying investments	7,319	1,677	(3,168)	11.0
	16,691	10,948	(4,404)	72.6
Non-Qualifying Investments				
Electra Private Equity Plc	1,593	3,973	780	26.4
Other Non-Qualifying Investments	888	149	(238)	1.0
	2,481	4,122	542	27.4
	19,172	15,070	(3,862)	100.0
Other Assets				
Liquidity Funds		1		
Cash		127		
		128		
Total		**15,198**		

Annual Review **Portfolio Summary**

C Shares	Cost at 30 September 2007 £'000	Valuation at 30 September 2007 £'000	Valuation Movement in year ended 30 September 2007 £'000	% of Portfolio by Value
Largest Qualifying Investments				
Target Entertainment Group Limited	1,000	1,000	-	29.2
Acrobat Group Limited	700	700	-	20.4
Hallmarq Veterinary Imaging Limited	300	300	-	8.8
Sport Media Group Plc	250	237	(13)	6.9
Mount Engineering Plc	250	236	(14)	6.9
Emote Games Limited	114	114	-	3.3
	2,614	2,587	(27)	75.5
Non-Qualifying Investments				
Electra Private Equity Plc	820	840	20	24.5
	3,434	3,427	(7)	100.0
Other Assets				
Liquidity Funds		4,050		
Cash		1,067		
		5,117		
Total		**8,544**		

Annual Review Investment Manager

The Fund's investments are managed by Electra Quoted Management which is a subsidiary of Electra Partners Group. Electra Quoted Management was established in 1981 and is authorised and regulated by the Financial Services Authority.

Electra Quoted Management has considerable expertise in quoted and unquoted investments and has a well developed deal flow, including unquoted company proposals that originate from its own contacts and network, pre-float finance opportunities and broker led AIM flotations.

Electra Quoted Management is also the Investment Manager of Electra Kingsway VCT 2 Plc, Electra Kingsway VCT 3 Plc and Electra Active Management Plc.

The Investment Manager has an established Investment Committee comprising four executives, which is chaired by Hugh Mumford, a senior executive of Electra Partners Group. The Investment Committee meets as required to consider and review investment proposals.

Annual Review Co-investment Arrangements

Co-investment Arrangements with other Electra Kingsway VCTs

The Directors welcome the fact that the Investment Manager has four VCT fund pools, Electra Kingsway VCT Plc Ordinary Share pool, Electra Kingsway VCT Plc C Share pool, Electra Kingsway VCT 2 Plc and Electra Kingsway VCT 3 Plc Ordinary Share pools ("the Electra Kingsway VCTs") it can use for co-investment. This allows each fund to spread its investment risk and gain access to larger investments than it could do on its own. Where a co-investment opportunity arises between one or more of the Company's two share pools and either or both of the other two funds, the Company will invest in an agreed and consistent proportion, on the same terms and in the same securities as the funds with which it co-invests. Costs associated with any such investment will be borne by each fund pro-rata to its investment.

In more detail, the Board has adopted a set of guidelines on its co-investment arrangements with the Electra Kingsway VCTs and the Investment Manager as follows:-

- Other than as set out below, investments will be allocated between the two share pools within the Company and also the other Electra Kingsway VCTs by reference to the size of each fund and to each fund's available cash resources.
- Where an opportunity arises for a second or subsequent round of investment in a company in which one of the Electra Kingsway VCTs has invested at an earlier stage, the fund holding the existing investment will have a preferential right to take up any pro-rata entitlement it may have in the new financing round. The amount it invests on this basis will not be taken into account in determining its co-investment share thereafter.
- The Company, either through the Ordinary Share pool or the C Share pool will make an investment in which one or more of the Electra Kingsway VCTs have existing investments only when the Board considers that to be in the best interests of the relevant Share pool of the Company.
- Any potential conflict of interest in a proposed investment by one or more of the Electra Kingsway VCTs will be referred by the Investment Manager to the Board of the Company and the other relevant Boards.
- In the event of a possible conflict of interest between the Investment Manager and the Company, the matter will be decided by those Directors who are independent of the Investment Manager.

The Board of the Company acknowledges that the Investment Manager may occasionally recommend an allocation of investments on a different basis from the one described above. For example, an exception may be made to ensure that one or more of the Company's Share pools, Electra Kingsway VCT 2 Plc or Electra Kingsway VCT 3 Plc maintain their status as a HMRC approved VCT, or in the interests of balancing their portfolios. A different basis may also be necessary to meet the requirements of potential investee companies. In these cases the Directors use their judgement.

Annual Review **Ten Largest Qualifying Investments**

Defaqto Group Limited		**Year ended March**	**2007**
Cost	£1,100,000		£'m
Valuation	£1,533,000	Sales	4.7
Basis of Valuation	Earnings multiple	Loss before tax	(6.2)
Equity held	9.48%	Retained loss	(6.2)
Business	Financial product data provider	Net liabilities	(6.2)

Advanced Medical Solutions Group Plc		**Year ended December**	**2006**
Cost	£487,000		£'m
Valuation	£1,519,000	Sales	14.3
Basis of Valuation	Bid price	Profit before tax	0.6
Equity held	4.10%	Retained profit	0.7
Business	The manufacture of medical adhesives	Net assets	12.7

Gyro International Limited		**Year ended October**	**2006**
Cost	£375,000		£'m
Valuation	£1,427,000	Sales	24.8
Basis of Valuation	Latest issue price	Profit before tax	1.5
Equity held	3.53%	Retained profit	1.0
Business	Business to business creative agency	Net assets	5.8

Target Entertainment Limited		**Year ended October**	**2006**
Cost	£1,000,000		£'m
Valuation	£1,000,000	Sales	10.3
Basis of Valuation	Recent purchase price	Loss before tax	(0.3)
Equity held	13.33%	Retained loss	(0.4)
Business	Television distribution company	Net liabilities	(1.8)

Target Entertainment Group Limited is the parent company of Target Entertainment Limited and has not yet produced any annual accounts.

Annual Review **Ten Largest Qualifying Investments**

Music Copyright Solutions Plc		**Year ended December**	**2006**
Cost	£500,000		£'m
Valuation	£824,000	Sales	3.1
Basis of Valuation	Bid price	Loss before tax	(1.5)
Equity held	5.50%	Retained loss	(0.9)
Business	Copyright management	Net assets	1.5

Hill Station Plc		**52 weeks ended 28 October**	**2006**
Cost	£1,283,000		£'m
Valuation	£811,000	Sales	13.9
Basis of Valuation	Bid price	Loss before tax	(4.8)
Equity held	6.3%	Retained loss	(5.1)
Business	Manufacturer of ice cream	Net assets	3.4

Amber Taverns Limited		**Year ended January**	**2007**
Cost	£750,000		£'m
Valuation	£750,000	Sales	2.4
Basis of Valuation	Earnings multiple	Loss before tax	(0.3)
Equity held	16.46%	Retained loss	(0.3)
Business	Portfolio of managed pubs in NE England	Net assets	0.7

Ma Hubbards Limited		**Period ended 29 April**	**2007**
Cost	£750,000		£'m
Valuation	£750,000	Sales	3.1
Basis of Valuation	Earnings multiple	Loss before tax	(0.7)
Equity held	25.00%	Retained loss	(0.7)
Business	Acquisition of portfolio of managed pubs in the Midlands	Net liabilities	(0.2)

Annual Review **Ten Largest Qualifying Investments**

Keycom Plc		**Year ended September**	**2006**
Cost	£1,705,000		£'m
Valuation	£578,000	Sales	1.0
Basis of Valuation	Earnings multiple	Loss before tax	(2.0)
Equity held	13.8%	Retained loss	(2.0)
Business	Provision of broadband telephone services to students	Net liabilities	(2.3)

Hallmarq Veterinary Imaging Limited		**Year ended August**	**2007**
Cost	£1,600,000		£'m
Valuation	£854,000	Sales	2.0
Basis of Valuation	Last funding price	Loss before tax	(1.5)
Equity held	14.10%	Retained loss	(1.5)
Business	Design Manufacture and sale of MRI equipment to the equine market	Net assets	1.0

Note:-

In many cases, a qualifying investment is made substantially in the form of loan notes which both carry a high interest rate and are treated as debt for statutory audit purposes. Shareholders should therefore be advised that often the investee companies report both retained losses and net liabilities as a result of the structure of the investment.

Equity held percentages are calculated on an undiluted basis.

Year ended financial figures of investee companies are derived from the latest available financial statements of each investee company audited by respective company auditors.

Company Information Contact Details

Electra Kingsway VCT Plc

Board of Directors
Rupert Pennant-Rea (Chairman)
Michael Broke
David Donnelly
Nicholas Ross
David Sebire

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Any change of address of a shareholder or other relevant amendment to shareholder details should be communicated to the Company's Registrar, Capita Registrars.

Company Information **Board of Directors**

Rupert Pennant-Rea, Chairman

Appointed a Director on 24 September 2001.

He is a former Deputy Governor of the Bank of England and Editor of The Economist. He is currently Chairman of Henderson and a Director of Go-Ahead and a number of other companies. He is Chairman of the Nomination Committee.

Michael Broke*

Appointed a Director on 24 September 2001.

He is currently executive Chairman of Stockley Park Consortium. He was until recently a non-executive director of Chelsfield, having joined the board in October 1987 as Managing Director. He was Chief Executive of Stockley from January 1984 to June 1987 and prior to that a Director of J Rothschild and Co. Previous directorships have included Stalwart Group (Chairman) (now known as GE Life Group), Aspen Healthcare Holdings (Chairman) and Ashbourne Group.

David Donnelly*

Appointed a Director on 24 September 2001.

He is CEO of FF&P Private Equity and Chairman of Caithness Petroleum. Previously he was Chairman of Gordon House Asset Management, whose team joined Fleming Family & Partners in 2004. Previous directorships have included Highland Participants, an oil and gas exploration company (Chairman and Chief Executive), and R&W Hawthorn Leslie & Co (Executive Director), a publicly quoted shipbuilding and repair company. He was formerly a member of the London Stock Exchange. He is Chairman of the Remuneration Committee.

Nicholas Ross

Appointed a Director on 12 September 2001.

He joined Electra Quoted Management in 1993 after several years in investment analysis and fund management. He has been responsible for the launch of Electra Active Management and the three Electra Kingsway VCT funds. He is a Director of Electra Quoted Management, Electra Active Management and all three Electra Kingsway VCT funds. He also sits on a number of investee company boards.

David Sebire*

Appointed a Director on 24 September 2001.

He is a Chartered Accountant with extensive industrial and corporate finance experience. Previous chairmanships have included Bridport, PTS and Clearspeed Technology. He is Chairman of PegasusBridge Fund Management and a number of private companies. He has been nominated the Senior Independent Director under the Combined Code on Corporate Governance and is additionally Chairman of the Audit Committee.

All Directors are also Directors of Electra Kingsway VCT 2.

* Member of the Audit, Remuneration and Nomination Committees

To the Members of Electra Kingsway VCT Plc

The Directors present the audited Accounts of the Company for the year ended 30 September 2007 and their Report on its affairs.

Investment Company Status

In February 2005, in order to permit the payment of a dividend out of capital gains, the Company revoked its status as an investment company within the meaning of Section 266(3) of the Companies Act 1985.

VCT Status

HM Revenue and Customs has granted the Company approval under Section 842AA ICTA as a VCT, the approval being effective from the first day on which the Company's ordinary shares were listed on the London Stock Exchange (being 25 January 2002). The Board directs the affairs of the Company to enable it to maintain approval as a VCT.

Business Review

Objective and investment policy

A review of the Company's objective and investment policy is detailed on page 2.

Current and future development

A review of the main features of the year is contained in the Chairman's Statement and the Investment Manager's Review on pages 4 and 5 respectively.

The Board regularly reviews the development and strategic direction of the Company. The Board's main focus continues to be on the Company's long-term investment return. Attention is paid to the integrity and success of the investment process and on factors which may have an impact on this approach. Due regard is given to the marketing and promotion of the Company, including effective communication with shareholders and other external parties.

Performance

A detailed review of performance during the year is contained in the Investment Manager's Review on page 5.

A number of performance measures are considered by the Board and the Investment Manager in assessing the Company's success in achieving its objectives.

The key performance indicators ('KPIs') used to measure the progress and performance of the Company are established industry measures and are as follows:

- The movement in net asset value per ordinary share
- The movement in share price
- The movement of net asset value and share price performance compared to the FTSE All-Share index

Details of the KPIs are shown in a graph comparing the Company's total return on a share price and net asset value basis over the period since shares were first issued with the FTSE All-Share Index total return over the same period as set out in the Directors' Remuneration Report on page 23.

The Board recognises that it is in the long term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. As outlined in the Directors' Report on page 18, the Board intends to seek renewal of its annual share buy-back authority.

Risk Management

As the Company's investments are focused on unquoted companies and AIM quoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies, the Investment Manager aims to limit the risk attaching to the portfolio as a whole by careful selection and timely redistribution of investments in accordance with the Company's investment policy, and by monitoring the spread of holdings in terms of financing stage and industry sector. The Board reviews the investment portfolio with the Investment Manager on a regular basis. The Portfolio Summary on pages 6 and 7 demonstrates the application of the Company's investment policy.

The key risks facing the Company include Credit Risk, Market Price Risk, Interest Rate Risk, Liquidity Risk and Regulatory Risk, as further detailed in Note 20 of the Notes to the Accounts.

Share Capital

At an Extraordinary General Meeting of the Company held on 5 February 2007 (the "EGM"), shareholders approved an increase in the authorised capital of the Company from £600,000 to £1,020,000 by the creation of 20,000,000 ordinary shares of 1p each, 20,000,000 C Shares of 1p each, and 20,000,000 Deferred Shares of 0.1p each. The current authorised share capital of the Company is £1,020,000 divided into 80,000,000 ordinary shares of 1p each, 20,000,000 C Shares of 1p each, and 20,000,000 Deferred Shares of 0.1p each. The rights and obligations attaching to the ordinary shares, C shares and deferred shares are set out in the Company's Articles of Association.

Between 5 March 2007 and 11 June 2007 a total of 9,093,156 C shares were allotted and issued. The Company did not issue any Ordinary shares during the year under review.

Authority to make Market Purchases of Shares

At the Annual General Meeting of the Company held on 26 March 2007, authority was granted to make market purchases of up to 2,042,220 of the Company's issued ordinary shares and 909,315 of the Company's issued C shares. During the year under review a total of 542,874 ordinary shares were purchased for cancellation under this authority. No C shares were purchased for cancellation under this authority. Accordingly, at 30 September 2007 authority remained to purchase a further 1,499,346 ordinary shares and 909,315 C shares.

During the year under review, the Company made the following purchases of its own ordinary shares in the market:

Under the authority granted by shareholders at the Annual General Meeting held in March 2006:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Buyback Price per Share
330,116	2 February 2007	1.58%	92.0p

Under the authority granted by shareholders at the Extraordinary General Meeting held on 5 February 2007:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Buyback Price per Share
104,330	13 March 2007	0.51%	92.0p

Under the authority granted by shareholders at the Annual General Meeting held on 26 March 2007:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Price per Share
91,651	30 March 2007	0.40%	92.0p
243,000	28 June 2007	1.20%	90.0p
175,223	18 September 2007	0.60%	88.5p
33,000	28 September 2007	0.11%	88.5p

The Company does not hold any shares in treasury.

At 30 September 2007, a total of 19,879,331 (2006: 20,856,651) ordinary shares of 1p each and 9,093,156 (2006: nil) C shares of 1p each of the Company were in issue.

Results and Dividend

The loss attributable to shareholders amounted to £4,279,000 (2006: loss £204,000). The Directors do not recommend the payment of a final dividend in respect of the year ended 30 September 2007 (2006: £nil). An interim dividend of £305,000 was paid in the year (2006: £527,174).

Post Balance Sheet Events

Sales and purchases of investments at cost since the year end:

Sale:		£
9 October 2007 (Ordinary Share) (Sale proceeds of £90,000)	Signature Brands	750,000

Purchase:		£
30 October 2007 (Ordinary Share)	The Fin Machine Company	200,000
30 October 2007 (C Share)	The Fin Machine Company	1,000,000

Directors

The current Directors of the Company are listed on page 14. Mr RL Pennant-Rea, Mr MHA Broke, Mr DJ Donnelly, Mr NRW Ross and Mr DJ Sebire served as Directors of the Company throughout the financial year ended 30 September 2007. No other person was a Director of the Company during any part of the year. Mr NRW Ross and Mr DJ Sebire will both retire at the Annual General Meeting in 2008 and, being eligible, offer themselves for re-election. Short biographical details of Mr NRW Ross and Mr DJ Sebire are provided on page 14. Following performance appraisals of all of the Directors, details of which are to be found in the Corporate Governance Statement on page 19, the Board considers that the performance of each Director retiring at the Annual General Meeting and offering himself for re-election continues to be effective and that each Director continues to show commitment to his role. Accordingly, the Board recommends that those Directors retiring at the Annual General Meeting in 2008 and offering themselves for re-election be re-elected.

Directors' Interests

The beneficial interests of the Directors in the ordinary shares of the Company are shown below. None of the Directors hold C shares in the Company. Save as disclosed, no Director had any notifiable interest in the securities of the Company. No Director bought or sold any ordinary shares of the Company during the year under review. There have been no changes in the interests of any of the Directors in the ordinary shares of the Company between 1 October 2007 and 23 January 2008. No options over ordinary shares in the capital of the Company have been granted to the Directors.

	30 September 2007 Ordinary shares of 1p each	1 October 2006 Ordinary shares of 1p each
RL Pennant-Rea	11,080	11,080
MHA Broke	10,200	10,200
DJ Donnelly	-	-
NRW Ross*	51,001	51,001
DJ Sebire	10,200	10,200

*NRW Ross also has an interest in £22,462 of the 3.75% Loan Notes issued by the Company.

Directors' Remuneration Report

An Ordinary Resolution to approve the Directors' Remuneration Report will be put to the Annual General Meeting in 2008.

Contracts with Directors

No Director has a service contract with the Company. As a result of his employment with Electra Partners Group, Mr NRW Ross is deemed to have an interest in the Investment Management Contract between the Company and Electra Quoted Management.

Substantial Shareholders

At 23 January 2008 the Directors had not been notified of any interests in 3% or more of the Company's issued share capital.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as Auditors to the Company will be proposed at the Annual General Meeting in 2008. A separate resolution will be proposed at the Annual General Meeting in 2008 authorising the Directors to fix the remuneration of the Auditors.

The Directors confirm that so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and that each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Creditor Payment Policy

The Company agrees the terms of payment with its suppliers when agreeing the terms of each agreement. Suppliers are aware of the terms of payment and the Company abides by the terms of payment. The Company's average creditor payment period at 30 September 2007 was one day.

Investment Manager

Electra Quoted Management was the Investment Manager of the Company during the year under review. The Board regularly reviews the performance of the Investment Manager and as a result believes the continuing appointment of the Investment Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

Management Fees and Arrangements

Electra Quoted Management was originally appointed as Investment Manager under an agreement dated 2 October 2001. The agreement was for an initial period of five years and thereafter could be terminated by either party giving not less than one year's notice. Fees were paid quarterly in advance, as a percentage of net assets (less a rebate of fees suffered in investments in funds managed by Electra Quoted Management), at 2.5% per annum.

Electra Quoted Management entered into an amended agreement with the Company dated 1 February 2007. This agreement is for an initial period of five years and thereafter can be terminated by either party giving not less than one year's notice. Fees are paid quarterly in advance, as a percentage of net assets (less a rebate of fees suffered in investments in funds managed by Electra Quoted Management). Running expenses of the Fund is capped at 3.6% of the net asset value of 30 September. Any excess will be reduced against the management fee payable to the Investment Manager.

Incentive Schemes

Ordinary Shares

The Investment Manager will receive a performance fee based on returns to holders of ordinary shares. If the Company's net asset value per ordinary share in a relevant period increases such that it exceeds £1, less the value of any distributions paid from time to time, plus notional interest thereon at the rate of 7% per annum (compounded annually), then the Investment Manager will receive 20% of the excess. The first period expired on 30 September 2004. Subsequent periods are of one year's duration. In the event that the performance of the Company falls short of the target in any period the shortfall must be made up before the Investment Manager is entitled to a performance fee for subsequent periods. At 30 September 2007, there was no amount due under this Incentive Scheme.

C Shares

Certain employees of, and persons engaged in the business of the Investment Manager will be entitled to receive a performance fee based upon returns to holders of C shares. If by the end of a financial year, distributions of 30p per C share have been declared and if the Performance Value (sum of the Company's net asset value per C share and the aggregate dividends per C share) at that date exceeds 130p per C share, then the beneficiaries will receive 20% of the excess of such Performance Value over 100p per C share. In the event that the performance of the Company falls short of the target in any period the shortfall must be made up before the beneficiaries are entitled to a performance fee for subsequent periods. To give effect to this performance fee, Loan Notes have been issued by the Company to certain employees of and persons engaged in the business of the Investment Manager. No Loan Notes have been issued directly to the Investment Manager itself. Further details of the Loan Notes are set out in Note 19 of the accounts. At 30 September 2007, there was no amount due under this Incentive Scheme.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Accounts as the Company has adequate resources to continue in operational existence for the foreseeable future.

Annual General Meeting

The Annual General Meeting of the Company will be held on 27 February 2008. In addition to the ordinary business, the following special business will be considered:

Authority to make Market Purchases of Shares: Resolution 7

A Special Resolution will be proposed to renew, for one year, the Board's authority to make market purchases of ordinary shares and/or C shares provided that such authority is limited to the purchase of 10 per cent. of the issued ordinary shares and/or 10 per cent. of the issued C shares at the time of the passing of the Special Resolution, subject to the constraints set out in the Special Resolution. Should any shares be purchased under this authority, it is the intention of the Board that they be cancelled and not held as treasury shares.

The Directors do not intend to use this authority to purchase shares unless this would result in an increase in the net asset value per ordinary share and/or C share as applicable and would be in the best interests of shareholders generally. The Directors recommend shareholders vote in favour of this Special Resolution.

Articles of Association: Resolution 8

A Special Resolution will be proposed to adopt new Articles of Association of the Company (the "Articles").

The current Articles of Association of the Company allow the Company to take advantage of the Electronic Communications Act 2000 which permits companies to communicate with its shareholders using electronic means, provided that individual shareholders have given their specific consent. The regime introduced by the Electronic Communications Act has been revised and enhanced by the Companies Act 2006, parts of which came into force earlier this year. Under the new Act, companies may make communications with shareholders available to view on a website rather than send them to shareholders in hard copy form.

The regime introduced by the Companies Act 2006 allows the Company to use electronic communications as the default method of communicating with shareholders unless shareholders notify the Company that they wish to receive hard copies of communications from the Company. Notwithstanding any prior request or deemed consent to receive communications electronically, a shareholder may at any time tell the Company that he or she wishes to receive all or specific information in hard copy form.

To enable the Company to benefit from the enhanced regime, it is necessary to amend the Company's Articles of Association to update references to relevant legislation, introduce provisions permitting the Company to communicate with shareholders via a website and make other consequential changes.

If shareholders approve the Resolution to adopt new Articles, the Directors will review the procedures relating to electronic communications and, if they consider it to be in the best interests of shareholders, will contact shareholders to ask them to specify whether they wish to receive communications from the Company electronically or in hard copy form.

Change of name of the Company: Resolution 9

With the proposed buyout of the Investment Manager by its management team, the name of the Investment Manager will change to Acuity Capital Management Limited. As a consequence, it is proposed that a corresponding change is made to the name of the Company. A Special Resolution will be proposed at the AGM to change the name of the Company from Electra Kingsway VCT Plc to Acuity VCT Plc. Subject to the passing of the resolution, the change of name will be effective on the issue of a certificate on incorporation on change of name by the Registrar of Companies. The change of the Company's name will not in any way affect the rights attaching to the shares in the capital of the Company, nor affect the rights or obligations of the Company in relation to third parties.

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House,
65 St Paul's Churchyard, London EC4M 8AB
23 January 2008

The Directors confirm that during the year under review the Company has complied with Section 1 of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in July 2003.

Directors' Attendance at Scheduled Meetings of the Board and Committees of the Board

Name of Directors	Scheduled Board	Audit Committee
Rupert Pennant-Rea	3	n/a
Michael Broke	3	2
David Donnelly	3	2
Nicholas Ross	3	n/a
David Sebire	3	2

In addition a number of Directors attended further Board meetings at short notice to address specific issues.

The Board of Directors

The Board, which meets regularly, comprised five Directors at 30 September 2007, all of whom were non-executive. All of the Directors who held office at 30 September 2007, apart from Mr NRW Ross, have been considered by the Board to be independent from the Investment Manager. The Board has nominated Mr DJ Sebire as the Senior Independent Director.

All of the Directors of the Company are also Directors of Electra Kingsway VCT 2 which was launched in 2004 and which is also managed by Electra Quoted Management. The Board has particularly considered the question of the independence of each Director in light of the Code's provisions on that subject.

The Board believes that each of the Company's Directors, apart from Mr NRW Ross, continues to be wholly independent under the Code notwithstanding their cross directorships detailed above. Independence is a state of mind and the character and judgement which accompany this are distinct from and in the Board's opinion are not compromised by having cross directorships with other Directors.

The Board has agreed a schedule of matters reserved for its specific approval, which includes a regular review of the Company's Management Agreement with Electra Quoted Management, together with the monitoring of the performance thereunder. The Management Agreement sets out the matters over which Electra Quoted Management has authority in accordance with the policies and directions of the Board. The Board Meetings consider as appropriate such matters as overall strategy, investment performance, share price performance, share price discount and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The number of scheduled meetings of the Board and the Audit Committee is shown in the table above. All of the Directors attended the Annual General Meeting.

The Board receives information that it considers to be sufficient and appropriate to enable it to discharge its duties. Each Director receives board papers several days in advance of each scheduled Board meeting and is able to consider in detail the Company's performance and any issues to be discussed at the relevant meeting.

The Directors believe that the Board has the balance, skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors including their relevant experience can be found on page 14.

Performance Appraisal

The Board carried out a formal appraisal process of its own and of its Committees' operations and performance during the year. This was implemented by means of questionnaires circulated to Directors, the results of which were then reviewed by the Board. Issues covered included board composition, meeting arrangements and communication. The process was considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and of its Committees. The Board concluded that its performance and that of its Committees was satisfactory.

The Chairman carried out a formal appraisal of each of the Directors during the year and the Board, under the leadership of the Senior Independent Director, similarly appraised the Chairman. Relevant matters considered included the attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of the contribution made by the relevant Director. As a result of this process, the Chairman has confirmed that the performance of each of the Directors being proposed for re-election continues to be effective and that each of them continues to show commitment to his role. The Senior Independent Director has also confirmed the continuing effectiveness and commitment of the Chairman.

Re-election of Directors

In accordance with either the Code's provisions or the Company's Articles Mr NRW Ross and Mr DJ Sebire will retire at the Annual General Meeting to be held in 2008 and offer themselves for re-election.

Independent Professional Advice

Individual Directors may seek independent professional advice in furtherance of their duties at the Company's expense within certain parameters. All Directors have access to the advice and services of the Company

Secretary. Any appointment or removal of the Company Secretary would be a matter for consideration by the entire Board.

The Audit Committee

The Board has an Audit Committee established in compliance with the Code. It comprises all the Directors other than the Chairman of the Board and Mr NRW Ross, with Mr DJ Sebire as Chairman of the Committee. The Board has taken note of the suggestion that at least one member of the Committee should have recent and relevant financial experience and is satisfied that the Committee is properly constituted in this respect. Its authority and duties are clearly defined in its written terms of reference which are available on Electra Quoted Management's website.

The Committee's responsibilities include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;
- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;
- developing and implementing the Company's policy on the provision of non-audit services by the external auditors;
- reviewing the arrangements in place within Electra Quoted Management whereby their staff may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- considering annually whether there is a need for the Company to have its own internal audit function.

The Committee has reviewed the provision of non-audit services by the external auditors and believes them to be cost effective and not an impediment to the external auditors' objectivity and independence. The non-audit services include the provision of a monitoring service to ensure the Company complies with VCT legislation. It has been agreed that all non-audit work, to be carried out by the external auditors, must be approved by the Audit Committee and that any special projects must be approved in advance.

Internal Audit

Following the review carried out by the Audit Committee as to whether there is a need for the Company to have its own internal audit function, the Board has considered and continues to believe that the internal control systems in place within Electra Quoted Management provide sufficient assurance that a sound system of internal control , which safeguards shareholders' investment and the Company's assets is maintained. An internal audit function, specific to the Company is therefore considered unnecessary.

The Remuneration Committee

During the year the Remuneration Committee comprised all the Directors of the Company other than the Chairman of the Board and Mr NRW Ross, with Mr DJ Donnelly as Chairman of the Committee. The Committee met once during the year when it was agreed that Mr DJ Sebire be paid an additional £5,000 per annum in respect of further duties undertaken in relation to the production of the Company's Report and Accounts. The Committee has written terms of reference which are available through Electra Quoted Management's website. Full details of its role are set out in the Directors' Remuneration Report.

The Nomination Committee

The Nomination Committee meets on an ad hoc basis to consider suitable candidates for appointment as Director. It comprises all the Directors apart from Mr NRW Ross, with Mr RL Pennant-Rea as Chairman. It was not necessary to hold any meeting of the Committee during the course of the year. The Committee has written terms of reference which are available through Electra Quoted Management's website. The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill board vacancies to maintain a balanced Board.

Letters of appointment, which specify the terms of appointment, are issued to new Directors.

The current Directors of the Company were appointed with regard to their independence, suitability for the position and their experience in related business areas.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee and which includes being briefed fully about the Company by the Chairman and Senior Executives of Electra Quoted Management. Following appointment, Directors continue to receive other relevant training and advice as necessary to enable them to discharge their duties.

The Company's Relationship with its Shareholders

The Company places great importance on communication with the Company's shareholders.

At the Annual General Meeting all shareholders are welcome to attend and have the opportunity to put questions to the Board.

The notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed on each substantially separate issue including the annual report and accounts. All proxy votes are counted and, except where a poll is called, the Chairman indicates the level of proxies lodged for each resolution and the balance, for and against the resolution after it has been dealt with on a show of hands.

The Chairman and Senior Independent Director can always be contacted either through the Company Secretary or care of the Company's registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

Internal Control

The Code requires the Directors to review the effectiveness of the Company's system of internal control and report to shareholders that they have done so. The Code extended the earlier reporting requirements and now includes financial, operational and compliance controls and risk management.

The Board confirms that it has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and has continued since the year end to the date of these report and accounts. It is reviewed at regular intervals by the Board and accords with the Financial Reporting Council's 'Internal Control : Revised Guidance for Directors on the Combined Code'.

The Board is responsible for the Company's system of internal control and it has reviewed its effectiveness for the year ended 30 September 2007. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided or arranged for the Company by Electra Quoted Management, the Company's system of internal control mainly comprises the monitoring of services provided by Electra Quoted Management, including the operating controls established by them, to ensure they meet the Company's business objectives. The key elements designed to provide effective internal control for the Company are as follows:

- Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data including management accounts, revenue projections, analyses of transactions and performance comparisons.
- Investment Strategy – Agreement by the Board of the Company's investment strategy and authorisation and monitoring of all large investments.
- Management Agreements – The Board regularly monitors the performance of Electra Quoted Management to ensure that the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Investment Performance – The investment transactions and performance of the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Management Systems – Electra Quoted Management's system of internal control includes clear lines of responsibility, delegated authority, control procedures and systems. Electra Quoted Management's compliance department monitors compliance with the Financial Services Authority rules.

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of key controls of Electra Quoted Management as follows:

- The Board reviews the terms of the Management Agreement and receives regular reports from Electra Quoted Management executives.
- The Board reviews the certificates provided by Electra Quoted Management on a six monthly basis, verifying compliance with documented controls.
- Custodians are required to produce on a regular basis a report (available for review by the Directors) on their internal controls and their operations, including a report by an independent firm of accountants.

Voting Policy

The Company's investee companies are principally a mixture of quoted and unquoted companies in which the Company is a significant shareholder and the Company is usually a party to all issues requiring shareholder approval. The Company has given discretionary voting power to Electra Quoted Management to vote on its behalf.

Electra Quoted Management's voting policy as agent for the Company has adopted and applies the Statement of Principles drawn up by the Institutional Shareholders' Committee when it considers these in its reasonable judgement to best serve the financial interests of the Company's shareholders. Electra Quoted Management's voting policy has been reviewed and endorsed by the Board.

Accounts Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the Accounts

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Company accounts and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The accounts are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Company's accounts comply with the applicable UK Accounting Standards, subject to any material departures disclosed and explained in the accounts;
- prepare the Company's accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the accounts.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Company's accounts comply with the Companies Act 1985 and the Directors' Remuneration Report complies with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts of the Company are published on www.electraquoted.com which is a website maintained by the Company's Investment Manager, Electra Quoted Management. Legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

Accounts Directors' Remuneration Report

The Directors submit this report in accordance with the requirements of Schedule 7A of the Companies Act 1985. An Ordinary Resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such.

Remuneration Committee

During the year under review, the Remuneration Committee comprised all the Directors of the Company other than the Chairman of the Board and Mr NRW Ross. Mr DJ Donnelly was Chairman of the Remuneration Committee throughout the year.

The Committee met once during the year when it was agreed that Mr DJ Sebire be paid an additional £5,000 per annum in respect of further duties undertaken in relation to the production of the Company's Report and Accounts. The current annual fee rates are £20,000 for the Chairman and Mr DJ Sebire and £15,000 for each of the other Directors apart from Mr NRW Ross who receives no remuneration from the Company. The Company has not been provided with advice or services by any person in respect of Directors' remuneration during the year.

Policy on Directors' Remuneration

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £100,000 per annum or such higher amount as may from time to time be determined by an Ordinary Resolution of the Company. Subject to this overall limit, the Remuneration Committee's policy is that remuneration of non-executive Directors should be sufficient to attract and retain the Directors needed to oversee the Company and reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ended 30 September 2008 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options and other benefits.

Directors' Service Contracts

None of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Performance Graph

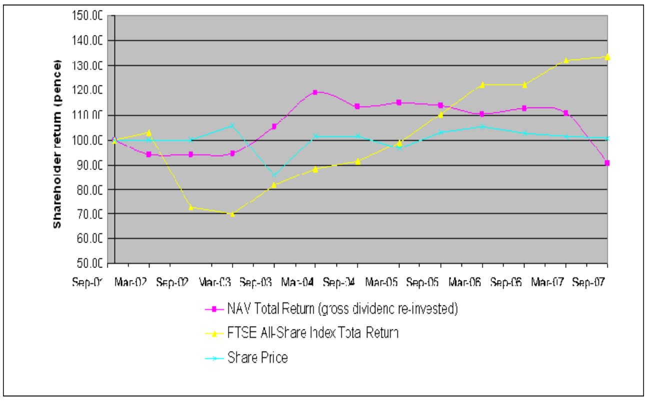
The graph on the right shows the Company's performance being measured in terms of its Total Shareholder Return and its Net Asset Value per share (with dividends reinvested) since shares were first issued on 26 October 2001 against the Total Shareholder Return of the FTSE All-Share Index.

The graph has incorporated the change in net asset value per share because changes in net asset value per share relative to the FTSE All-Share Index are an important indicator of the performance of the Company's assets.

The Directors consider that since the Company invests in a broad range of commercial sectors, the FTSE All-Share Index is the most appropriate index against which to compare the Company's performance.

Electra Kingsway VCT Share Price Total Return v Electra Kingsway VCT Net Asset Value (with dividends reinvested) v FTSE All Share Index (Total Return)

Total Cumulative shareholder return since launch compared to the FTSE All-Share index total return.



Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
RL Pennant-Rea (Chairman & highest paid Director)	20	20
MHA Broke	15	15
DJ Donnelly	15	15
NRW Ross	-	-
DJ Sebire	18	15
Total	68	65

As an executive of Electra Partners Group, NRW Ross has an interest in the Management Contract between the Company and Electra Quoted Management. £30,000 (2006:£30,000) of his remuneration is estimated to be in respect of the duties he undertakes for the Company.

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House
65 St Paul's Churchyard, London EC4M 8AB
23 January 2008

Accounts Independent Auditors' Report

To the Members of Electra Kingsway VCT Plc

We have audited the accounts of Electra Kingsway VCT Plc for the year ended 30 September 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Statement of Historical Profits and Losses, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Shareholders' Funds and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors' is consistent with the accounts. The information given in the Report of the Directors' includes that specific information presented in the Chairman's Statement and in the Investment Manager's Review that is cross referred from the Business Review section of the Report of the Directors'.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2003 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Investment Strategy, the Financial Highlights, Chairman's Statement, the Investment Manager's Review, Portfolio Summary, Co-investment Arrangements, Ten Largest Qualifying Investments, the Report of the Directors', the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its loss and cash flows for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of Directors' is consistent with the accounts.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

25 January 2008

Accounts Profit and Loss Account

	Notes	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Profit/(Loss) on realisation of investments		193	75
Unrealised (losses)/gains on revaluation of investments		(3,869)	(270)
Investment Income	1	491	757
		(3,185)	562
Investment management fee	2	(419)	(470)
Other expenses	3	(646)	(296)
		(1,065)	(766)
Loss on ordinary activities before interest and taxation		(4,250)	(204)
Finance cost	4	(29)	-
Loss on ordinary activities before taxation		(4,279)	(204)
Tax on ordinary activities	6	-	-
Loss for the financial year		(4,279)	(204)
Basic and diluted earnings per ordinary share	8	(20.7)p	(0.97)p
Basic and diluted earnings per C share	8	(0.5)p	-

The amounts dealt with in the Profit and Loss account are all derived from continuing activities. No operations were acquired or discontinued in the period. There are no recognised gains or losses other than those included in the Profit and Loss Account. The notes on pages 30 to 47 form part of these accounts.

Accounts Statement of Total Recognised Gains and Losses

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Loss for the financial year	(4,279)	(204)
Prior year adjustment	-	(212)
Total recognised losses for the year	(4,279)	(416)

Statement of Historical Profits and Losses

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Loss on ordinary activities after tax	(4,279)	(204)
Realisation of investment revaluation gains recognised in previous years	555	1,463
Historical cost (loss)/profit for the year after tax	(3,724)	1,259

Accounts Balance Sheet

	Notes	As at 30 September 2007 £'000	As at 30 September 2006 £'000
Fixed Assets			
Investments held at fair value	9	18,497	20,215
Current Assets			
Debtors	10	769	686
Other investments	11	4,051	351
Cash at bank	19	1,194	129
		6,014	1,166
Current Liabilities:			
Creditors: amounts falling due within one year	12	151	113
Net Current Assets		5,863	1,053
Creditors: amounts falling due after one year	13	8,746	-
Net Assets		15,614	21,268
Capital and Reserves			
Called-up share capital	15	199	209
Share premium account	16	13,580	14,024
Capital redemption reserve	16	22	12
Special reserve	16	5,070	5,957
Revenue reserve	16	(3,257)	1,066
Total Equity Shareholders' Funds		15,614	21,268
Net Asset Value per ordinary share	17	78.7p	102.0p
Net Asset Value per C share	17	92.3p	-
Number of Ordinary shares in issue at end of year		19,879,331	20,856,651
Number of C shares in issue at end of year		9,093,156	-

The information on pages 30 to 47 forms part of these accounts.

The accounts on pages 25 to 47 were approved and authorised for issue by the Board of Directors on 23 January 2008 and were signed on their behalf by:

RL Pennant-Rea, Chairman

Accounts Cash Flow Statement

	Notes	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Operating activities			
Investment income received		158	151
Bank interest received		48	7
Investment management fees paid		(566)	(383)
Other cash payments		(273)	(296)
Net Cash Outflow from Operating Activities	18	(633)	(521)
Capital Expenditure and Financial Investment			
Sale of investments		2,582	4,165
Purchase of investments		(4,539)	(2,422)
Net Cash (Outflow)/Inflow from Capital Expenditure and Financial Investment		(1,957)	1,743
Equity Dividends Paid	7	(305)	(454)
Cash (Outflow)/Inflow before Financing and Management of Liquid Resources		(2,895)	768
Management of Liquid Resources			
Sales/(Purchase) of current asset investments		(3,700)	50
Net Cash (Outflow)/Inflow from Management of Liquid Resources		(3,700)	50
Financing			
Repurchase of ordinary shares		(880)	(738)
Issue of shares		9,093	-
Expenses of the issue of shares		(553)	-
Net Cash (Outflow)/Infiow from Financing		7,660	(738)
Increase in Cash for the Year	19	1,065	80

Accounts Reconciliation of Movements in Shareholders' Funds

	Notes	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Loss for the financial year		(4,279)	(204)
Dividend paid	7	(305)	(527)
Shares issued		-	73
Deferred share issue expense		(183)	-
Repurchase of ordinary shares		(887)	(761)
Movements in Shareholders' Funds		(5,654)	(1,419)
Shareholders' Funds at start of year		21,268	22,687
Shareholders' Funds at end of year		15,614	21,268

Accounts Statement of Accounting Policies

Basis of Accounting

The accounts have been prepared in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom and have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets.

Presentation of Financial Statements

In order to enable the Company to make capital distributions, the Company has revoked its investment company status and is accordingly unable to take advantage of the accounting exemptions that status permits.

Following an application to the High Court a special reserve was created from a reduction in the share premium account. The special reserve has been utilised to facilitate a share buy back programme and to eliminate realised losses transferred from the income statement.

Reference to revenue and capital in the financial statements reflects the basis on which the taxation is calculated and the treatment applied in determining the amounts available for revenue dividend distribution.

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year, is set out below:

Investments

Purchases and sales of quoted investments are recognised on the trade date where a contract exists whose terms require delivery within a timeframe determined by the relevant market. Purchases and sales of unquoted investments are recognised when the contract for acquisition or sale becomes unconditional. Investments are designated at fair value through profit and loss (described in the accounts as investments held at fair value) and are subsequently measured at reporting dates at fair value. The fair value of direct unquoted investments is calculated in accordance with the Principles of Valuation of Investments below. Changes in the fair value of investments are recognised in the Income Statement. The Directors have adopted FRS 25 'Financial Instruments Disclosure and Presentation'.

Quoted Investments

Quoted investments are stated at the last traded bid market prices on the balance sheet date.

Unquoted Investments

Unquoted investments are held at fair value as fixed asset investments. The fair value is calculated in accordance with International Private Equity and Venture Capital Guidelines issued in March 2005 following the methodology outlined below.

Principles of Valuation of Investments

General

In valuing investments, the Directors follow the principles recommended in the International Private Equity and Venture Capital Valuation Guidelines issued in March 2005. The Directors have also adopted the requirements of FRS 26 'Financial Instruments Measurement'. Investments are valued at fair value at the reporting date.

Fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In estimating fair value, the Directors use a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from one period to another except where a change results in a better estimate of fair value. Because of the inherent uncertainties in estimating the value of private equity investments, the Directors exercise due caution in applying the various methodologies.

Unquoted Investments

The principal methodologies applied in valuing unquoted investments including PLUS investments (a UK market focussed on small and medium companies which the Directors do not regard as an active market with sufficient liquidity) include the following:

- Earnings multiple
- Price of recent investment
- Net assets

In applying the Earnings Multiple methodology, the Directors apply a market based multiple that is appropriate and reasonable to the maintainable earnings of the company. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an Earnings Before Interest and Tax multiple applied to current year's earnings where these can be estimated with a reasonable degree of certainty and are deemed to represent the best estimate of maintainable earnings. Where this is not the case, historic earnings will generally be used in their place.

Where a recent investment has been made, either by the Company or by a third party in one of the Company's investments, this price will be used as the estimate of fair value for a period of up to one year from the date on which the investment was made. One of the principal methodologies, as above, may be used at any time if this is deemed to provide a better assessment of the fair value of the investment.

The fair value of unquoted investments is calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which became effective from 1 January 2005.

The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy and information about the Company is provided internally on this basis to the entity's key management personnel.

The valuation policies are set out below:

- Primary valuation methods, namely, earnings multiples, price of a recent investment or net asset basis, are normally used in determining fair value; and
- Fair values determined by earnings multiples are calculated using the following approach;
  - o apply a multiple that is appropriate and reasonable to maintainable earnings of the Company to derive the Enterprise Value;
  - o adjust the Enterprise Value derived above for surplus assets or excess liabilities and other relevant factors to derive a revised Enterprise Value;
  - o deduct from the Enterprise Value all amounts relating to financial instruments ranking ahead of the highest ranking instrument of the Company in a liquidation in order to derive the Gross Attributable Enterprise Value;
  - o apply an appropriate Marketability Discount to the Gross Attributable Enterprise Value derived above in order to derive the Net Attributable Enterprise Value; and
  - o apportion the Net Attributable Enterprise Value appropriately between the relevant financial instruments.

Earnings multiples that are used include price earnings ("P/E"), earnings before interest and tax ("EBIT") and earnings before interest, tax, depreciation and amortisation ("EBITDA").

The Marketability Discount relates to the investment rather than to the underlying business. It is therefore applied at the level at which the Company begins to participate in the Enterprise Value of the investee company. In determining the Marketability Discount, all relevant factors will be considered, including proximity to exit or influence of the Company over the timing of a realisation, and a discount in the range of 10% to 30% will be applied.

Maintainable earnings are defined as earnings figures that can be relied upon. This can mean the use of historical figures, but, where reliable, forecast earnings figures can be used.

- In circumstances where the valuation of an investment by earnings is deemed inappropriate, the use of a net asset basis may be considered. Under this method, the net asset value will be computed and will be taken as the Enterprise Value.
- Where a recent investment or transaction has been made in an investee company by an independent third party, then the cost of this transaction may be used as an indication of value, although only for a limited period following the date of the transaction.
- Where the realisation of an investment is imminent and the price of the transaction has been substantially agreed, the most likely valuation will involve the use of a simple discount to the expected realisation proceeds.
- In the case of valuing loan notes, primary valuation techniques which are used to value equity instruments as described above have been adopted with priority of allocation of net enterprise value.

Although the Company holds more than 20% of the equity of certain companies, it is considered that the investments are held as part of the investment portfolio. Accordingly, and as permitted by FRS 9 'Associates and joint ventures', their value to the Company is based on fair value.

Under FRS 2 'Accounting for subsidiary undertakings' control is presumed to exist when the parent owns, directly or indirectly more than half of the voting power by a number of means. The Company does not hold more than 50% of the equity of any of the companies within the portfolio. In addition, it does not control any of the companies held as part of the investment portfolio. It is not considered that any of the holdings represent investments in subsidiary undertakings.

Income

Dividends receivable from equity investments are accounted for on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity investments and on debt securities are recognised on a time apportionment basis, which reflects the effective yield. Where there is reasonable doubt that a return, which falls within the accounting period, will actually be received by the Company, the recognition of the return is deferred until the reasonable doubt has been removed.

Interest receivable on cash deposits is accounted for on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the Profit and Loss account except for expenses in connection with the disposal of fixed asset investments, which are deducted from the disposal proceeds of the investment. The management fee is capped at 3.6% of the net asset value.

A commission is payable at the rate of 0.25% of the net assets over a period of 10 years, from the inception of the fund, to the underwriter for the issue of ordinary shares. These are discounted to the present value and charged against share premium account as share issue expenses. The discounted amount is split between creditors amount falling due within one year and amount falling due after one year. Any difference between the actual payment and discounted value is taken to the Profit and Loss account. For C shares, these discounted amounts are netted against the creditor falling due after one year and are amortised over a period of 10 years. The annual amortisation is charged as a finance cost in the Profit and Loss account.

Taxation

The tax effects of different items in the Profit and Loss account are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a venture capital trust and the continued intention to meet the conditions required to comply with Section 842AA of the Income and Corporation Taxes Act (1988), no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are recoverable.

Dividends Payable

Dividend distributions to shareholders are recognised as a liability in the year in which they are paid in respect of interim dividends or when approved by members in respect of final dividends.

Foreign Currency

The Company does not hold any assets or liabilities denominated in foreign currencies at the year end. The functional currency used on the preparation of these consolidated accounts is pounds sterling which is also the presentation currency. The functional currency is the currency in which the company operates and it reflects the economic substance of the underlying events and circumstances of the Company.

C Shares

Unless and until C Shares are converted into Ordinary Shares, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary Shares. All residual expenses will be allocated on the basis of total funds raised for each class of share.

1. Income

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Franked investment income	136	385
Unfranked investment income	224	340
Interest from bank deposits	41	7
Income from liquidity funds	90	25
	491	757

2. Investment Manager's Fees

	For the year ended 30 September 2007 Total £'000	For the year ended 30 September 2006 Total £'000
Management Fees to:		
Electra Quoted Management	419	470

The Management Fee includes irrecoverable VAT of £62,000 (2006: £70,000).

Electra Quoted Management also received an administration fee of £69,000 (2005: £51,000), net of VAT, which increases each year in line with the Retail Price Index. The administration fee is included in the other expenses of £646,000 in Note 3.

Management Fees and Arrangements

Electra Quoted Management was appointed as Investment Manager under an agreement dated 2 October 2001, later superceded by a management agreement dated 1 February 2007. The agreement was for an initial period of five years and thereafter until terminated by not less than one year's notice to expire at any time after the initial period. Fees are paid quarterly in advance, as a percentage of net assets (less a rebate of fees suffered in investments in funds managed by Electra Quoted Management), at 2.5% per annum. Neither the Company nor the Investment Manager has issued a notice to terminate since 2 October 2007.

Running expenses of the Fund are capped at 3.6% of the net asset value of 30 September. Any excess will be reduced against the management fee payable to the Investment Manager.

Incentive Schemes

The Investment Manager will receive a performance fee based on returns to shareholders. If the Company's net asset value per share in a relevant calculation period increases so that it exceeds £1, less the value of distributions per share plus notional interest at 7% per annum compounded annually, the Investment Manager will receive 20% of the excess. The first period expired on 30 September 2004. Subsequent periods are of one year's duration. In the event that the performance of the Company falls short of the target in any period the shortfall must be made up before the Investment Manager is entitled to a performance fee for subsequent periods.

At 30 September 2007 there was no amount due under the Incentive Schemes.

3. Other Expenses

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Directors' remuneration	68	65
Employer's NIC	3	3
IFA trail commission (at rate of 0.25% per annum of net assets)	-	53
Auditors' fees		
- audit	27	24
- non audit*	6	12
Bad debt expense	356	-
Administration expenses	186	139
	646	296

* Non audit fees related to tax services provided by PwC.

Bad debt expense relates to accrued interest from loans in investee companies that your Company believes will no longer be received.

4. Finance Cost

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
C share issue expense amortisation	29	-
	29	-

5. Directors' Remuneration

Details of Directors' remuneration are shown in the table in the "Directors Remuneration for the Year" section of the Directors' Remuneration Report on page 23. The Company had no employees or employee costs in 2007(2006: £nil).

6. Taxation of Ordinary Activities

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Analysis of charge in the period		
Current tax:		
UK Corporation tax at 19.5% (2006: 19%)	-	-
Total Current Tax	-	-
Factors affecting tax charge for the year		
Loss on ordinary activities before tax	(4,279)	(204)
Loss on ordinary activities before tax at corporate tax rate	(834)	(39)
Effects of:-		
Dividend income not subject to tax	(27)	(78)
Expenses not deductible for tax purposes	6	10
Realised and unrealised (losses)/gains on investments	717	51
Unutilised losses arising in the year	138	55
Total Current Tax	-	-

In light of the Company's status as a venture capital trust and the Directors' intention to continue to meet the conditions necessary to obtain such approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments. There is no un-provided deferred tax liability at 30 September 2007.

There has been no recognition of a deferred tax asset £394,000 (2006: £256,000) for tax losses as the Directors do not anticipate them being used.

7. Dividend

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Dividend on ordinary shares:		
Interim dividend of 1.5p (2006: 2.5p) per ordinary share paid in the year	305	527
Reconciliation to Equity Dividends paid in cashflow statement		
Cash paid	305	454
Shares issued	-	73
	305	527

8. Earnings per Ordinary Share and C Share

Ordinary Shares

Basic and diluted earnings per ordinary share is based on the net loss from ordinary activities after taxation attributable to the ordinary shareholders of £4,238,000, (2006: £204,000) and on 20,486,843 (2006: 21,072,203), ordinary shares, being the weighted average number of ordinary shares in issue during the year.

C Shares

Basic and diluted earnings per C share is based on the net loss from ordinary activities after taxation attributable to the C shareholders of £41,000, (2006: £nil) and on 7,905,830 (2006: nil), C shares, being the weighted average number of C shares in issue during the year.

There is no difference between basic and diluted earnings per ordinary share and per C share because the Company has no potentially dilutive ordinary shares in issue.

	Ordinary & C share as at the year ended 30 September 2007 £'000 Total
Net loss on ordinary activities	(4,279)
Loss attributable to C shares	(41)
Attributable to Ordinary shares	(4,238)
Weighted average number of Ordinary shares in issue during the period	20,486,843
Loss per Ordinary share	(20.7)p
Weighted average number of C shares in issue during the period	7,905,830
Loss per C share	(0.5)p

9. Investments

	Qualifying Investments			Non-qualifying Investments			
	Traded on AIM £'000	Traded on PLUS £'000	Unquoted £'000	Open-ended Investment Company £'000	Closed-ended Investment Company £'000	Traded on AIM £'000	Total £'000
Costs at 1 October 2006	5,928	1,705	8,074	1,550	1,862	780	19,899
Unrealised gains/(losses) at 1 October 2006	(1,715)	(953)	1,273	281	1,870	(440)	316
Valuation at 1 October 2006	4,213	752	9,347	1,831	3,732	340	20,215
Transfers at 1 October 2006	(47)	-	-	-	-	47	-
Purchases at cost	650	-	3,069	-	820	-	4,539
Sales at 1 October 2006 valuation	(18)	-	-	(1,831)	(539)	-	(2,388)
Unrealised gains/(losses) in year	213	(174)	(4,470)	-	800	(238)	(3,869)
Valuation at 30 September 2007	5,011	578	7,946	-	4,813	149	18,497
Cost at 30 September 2007	6,457	1,705	11,144	-	2,412	888	22,606
Unrealised gains/(losses) at 30 September 2007	(1,446)	(1,127)	(3,198)	-	2,401	(739)	(4,109)
Valuation at 30 September 2007	5,011	578	7,946	-	4,813	149	18,497

Further details of investments are provided in the Portfolio Summary on pages 6 to 7 of the Annual Review and significant interests in the investee companies are disclosed in Note 14 of the Notes to the Accounts.

As at 30 September 2006	Qualifying Investments			Non-qualifying Investments				
	Traded on AIM £'000	Traded on PLUS £'000	Unquoted £'000	Open-ended Investment Company £'000	Closed-ended Investment Company £'000	Traded on AIM £'000	Fixed Interest Securities £'000	Total £'000
Costs at 1 October 2005	4,920	1,401	8,465	2,000	1,862	932	525	20,105
Unrealised gains/(losses) at 1 October 2005	(245)	(594)	998	689	1,215	9	(24)	2,048
Valuation at 1 October 2005	4,675	807	9,463	2,689	3,077	941	501	22,153
Purchases at cost	1,008	304	1,110	-	-	-	-	2,422
Disposals as at 1 October 2005 valuation	-	-	(2,751)	(605)	-	(232)	(501)	(4,089)
Unrealised gains/(losses) in year	(1,470)	(359)	1,525	(253)	655	(369)	-	(271)
Valuation at 30 September 2006	4,213	752	9,347	1,831	3,732	340	-	20,215
Cost at 30 September 2006	5,928	1,705	8,074	1,550	1,862	780	-	19,899
Unrealised gains/(losses) at 30 September 2006	(1,715)	(953)	1,273	281	1,870	(440)	-	316
Valuation at 30 September 2006	4,213	752	9,347	1,831	3,732	340	-	20,215

10. Debtors

	2007 £'000	2006 £'000
Amounts due within one year:		
Accrued interest	517	622
Electra Quoted Management	218	59
Other debtors	34	5
	769	686

11. Other Investments

	2007 £'000	2006 £'000
Liquidity Funds:		
JP Morgan Sterling Liquidity Fund	1,801	351
Scottish Widows Investment Partnership Limited Global Liquidity Fund	2,250	-
	4,051	351

The market value of the Liquidity Fund at 30 September 2007 is £4,051,000 (2006: £351,000). The funds are invested with JP Morgan and Scottish Widows earning a floating rate of interest, at an effective rate of 5.9%.

12. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Deferred share issue expenses	65	53
Expense accrual	47	35
Share buy-back accrual	29	22
Other creditors	10	3
	151	113

13. Creditors: amounts falling due after one year

	2007 £'000	2006 £'000
Amount attributable to C share	8,433	-
Deferred share issue expenses payable on ordinary and C share	313	-
	8,746	-

	2007 £'000	2006 £'000
Proceeds from C share	9,093	-
C share issue expenses	(689)	-
Amortisation of deferred C share issue expenses	29	-
Amount attributable to C share	8,433	-

In accordance with the Company's accounting policy, the consideration received in respect of the C shares has been classified as a liability.

14. Significant Interests

At 30 September 2007 the Company held significant investments, amounting to 3% or more of the equity capital in the following companies:-

	Equity Investment (Ordinary and C Shares) £'000	Investments Loan Stock and Preference Shares £'000	Total Investments £'000	Percentage of Investee Company's Total Equity %
Ma Hubbards Limited	225	525	750	25.0
Amber Taverns Limited	225	525	750	16.5
Hallmarq Veterinary Imaging Limited	1,400	200	1,600	14.1
Keycom Plc	1,201	504	1,705	13.8
Sanastro Plc	1,000	-	1,000	12.6
Happy Times Plc	108	971	1,079	12.2
Signature Brands Group Plc	750	-	750	10.0
Defaqto Group Limited	110	990	1,100	9.5
Centurion Electronics Plc	1,197	-	1,197	7.7
Hill Station Plc	908	375	1,283	6.3
Music Copyright Solutions Plc	500	-	500	5.7
Advanced Medical Solutions Group Ltd	487	-	487	4.0
Gyro International Limited	113	262	375	4.0
Media Square Plc	1,578	-	1,578	3.5
Brady Plc	750	-	750	3.3

It is considered that, as permitted by FRS 9 "Associates and Joint Ventures", the above investments are held as part of an investment portfolio and that, accordingly, their value to the Company lies in their cost/fair value as part of its investment portfolio.

In view of this, it is not considered that the above represent investments in associated undertakings. All of the above companies are incorporated in the United Kingdom.

15. Called Up Share Capital

	Number	2007 £'000	Number	2006 £'000
Authorised:				
Ordinary Shares of 1p each	80,000,000	800	60,000,000	600
	80,000,000	800	60,000,000	600

	Number	2007 £'000	Number	2006 £'000
Authorised:				
C Shares of 1p each (refer note 13)	20,000,000	200	-	-
	20,000,000	200	-	-

	Number	2007 £'000	Number	2006 £'000
Authorised:				
Deferred Shares of 0.1p each	20,000,000	20	-	-
	20,000,000	20	-	-

Issued:				
At 1 October	20,856,651	209	21,597,056	216
Ordinary Shares of 1p each issued during the year	-	-	73,131	1
Ordinary Shares of 1p each repurchased during the year	(977,320)	(10)	(813,536)	(8)
At 30 September	19,879,331	199	20,856,651	209

Issued:				
At 1 October	-	-	-	-
C Shares of 1p each issued during the year	9,093,156	91	-	-
At 30 September 2007 (refer note 13)	9,093,156	91	-	-

Issued:				
At 1 October	-	-	-	-
Deferred Shares of 0.1p each issued during the year	-	-	-	-
At 30 September 2007	-	-	-	-

During the year under review, the Company made the following purchase of its own ordinary shares in the market under the authority granted by shareholders at the Annual General Meeting held in March 2006.

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Buy-back Price per Share
330,116	2 February 2007	1.58%	92.0p

During the year under review the Company made the following purchase of its own ordinary shares in the market under the authority granted by shareholders at the Extraordinary General Meeting held on 5 February 2007:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Buy-back Price per Share
104,330	13 March 2007	0.51%	92.0p

During the year under review the Company made the following purchases of its own ordinary shares in the market under the authority granted by shareholders at the Annual General Meeting held on 26 March 2007:

Ordinary Shares Purchased for Cancellation	Date of Purchase	Percentage of Issued Capital at Time of Purchase	Buy-back Price per Share
91,651	30 March 2007	0.40%	92.0p
243,000	28 June 2007	1.20%	90.0p
175,223	18 September 2007	0.60%	88.5p
33,000	28 September 2007	0.11%	88.5p

The Company does not hold any shares in treasury.

At 30 September 2007, a total of 19,879,331 (2006: 20,856,651) ordinary shares of 1p each and 9,093,156 (2006: nil) C shares of 1p each of the Company were in issue. During the year, the Company issued 9,093,156 C shares at a price of 1p each.

16. Reserves

	Share Premium Account (Non distributable) £'000	Capital Redemption Reserve (Non distributable) £'000	*Special Reserve (Distributable) £'000	Profit and Loss Reserve (Distributable) £'000
At 1 October 2006	14,024	12	5,957	1,066
Premium on issues of shares during the year	-	-	-	-
Shares repurchased in year	-	10	(887)	-
Dividend payment for the year	-	-	-	(305)
Deferred share issue expenses	(444)	-	-	261
Loss for the financial year	-	-	-	(4,279)
At 30 September 2007	13,580	22	5,070	(3,257)

* The Special Reserve was created by a Court Order in 2003 upon the reduction of the Share Premium Account. It is treated as a distributable reserve out of which repurchases of ordinary shares can be made and can also be used to eliminate realised losses on the Profit and Loss Account.

The Profit and Loss Reserve includes unrealised investment profit/(losses) of (£4,109,000) (2006: 316,000) which are non-distributable.

	Share Premium Account (Non distributable) £'000	Capital Redemption Reserve (Non distributable) £'000	*Special Reserve (Distributable) £'000	Revaluation Reserve £'000	Profit and Loss Reserve (Distributable) £'000
At 1 October 2005	13,952	4	6,718	2,048	(251)
Reclassification	-	-	-	(2,048)	2,048
As at 1 October 2005 adjusted	13,952	4	6,718	-	1,797
Premium on issues of shares during the year	72	-	-	-	-
Shares repurchased in year	-	8	(761)	-	-
Retained loss for the year	-	-	-	-	(731)
At 30 September 2006	14,024	12	5,957	-	1,066

* The Special Reserve was created by a Court Order in 2003 upon the reduction of the Share Premium Account. It is treated as a distributable reserve out of which repurchases of ordinary shares can be made and can also be used to eliminate realised losses on the Profit and Loss Account.

17. Net Asset Value per Ordinary Share and C Share

The basic net asset value per Ordinary share is based on net assets of £15,655,000 and on 19,879,331 ordinary shares, being the number of ordinary shares in issue.

There is no difference between the basic and diluted NAV per ordinary share because the Company has no potentially dilutive shares in issue.

	Ordinary shares As at 30 September 2007 Pence	C shares As at 30 September 2007 Pence	Ordinary shares As at 30 September 2006 Pence	C shares As at 30 September 2006 Pence
Ordinary shares of 1p and C shares of 1p	78.7	92.3	102.0	-

	Ordinary shares as at 30 September 2007 £'000	Ordinary shares as at 30 September 2006 £'000
Total net assets per balance sheet date	15,614	21,268
Loss for the period attributable to C shares	41	-
Net assets attributable to Ordinary shares for Net asset value purposes	15,655	21,268

The basic net asset value per C share is based on net assets of £8,392,000 and on 9,093,156 C shares, being the number of C shares in issue at the end of the period.

The amount attributable to the C shares is calculated as follows:-	£'000
Proceeds from C shares	9,093
Expense of C share	(689)
Deferred share issue expense	29
Loss for the period attributable to C shares	(41)
Amount attributable to C shares	8,392

18. Reconciliation of Loss on Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities

	For the year ended 30 September 2007 £'000	For the year ended 30 September 2006 £'000
Loss on ordinary activities before tax	(4,279)	(204)
Loss on realisation of investments	(193)	(75)
Unrealised gains on revaluation of investments	3,869	270
Decrease in debtors	(83)	(512)
Finance cost	29	-
Decrease/(Increase) in creditors and accruals	24	-
Net cash inflow from operating activities	(633)	(521)

19. Analysis of Changes in Cash in the Year

	For the year ended 30 September 2007 £'000	For the period ended 30 September 2006 £'000
At beginning of year	129	49
Net cash inflow/(outflow)	1,065	80
At 30 September 2007	1,194	129

Included within the cash balance there is a committed cash amount of £1,400,000, split between fixed deposit investments in Target (£1,000,000) and Acrobat (£400,000) This cash is held at Barclays bank and is accessible immediately.

20. Financial Instruments

The Company's financial instruments comprise:

- Equity and non-equity shares, units in an open-ended investment company and shares in a closed-ended investment company and fixed interest securities that are held in accordance with the Company's investment objective.
- Cash, liquidity funds and debtors and creditors that arise directly from the Company's operations.

It is not the Company's policy to trade in financial instruments or derivatives. The main risks arising from the Company's financial instruments are due to fluctuations in market prices and interest rates. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below:

Key Risks

Credit Risk: Failure by counter-parties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered.

Market Price Risk: Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements.

The investments in equity and fixed interest stocks of unquoted and AIM quoted companies the Company holds are thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the ability of the Company to realise the investments at their carrying value may at times not be possible if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for venture capital trusts.

Interest Rate Risk: The Company's equity and non-equity investments and net revenue may be affected by interest rate movements.

Currency Risk: All assets and liabilities are denominated in sterling and therefore there is no currency risk.

Management of Risks

Credit Risk: All transactions are settled on the basis of delivery against payment.

Market Price Risk: The Board manages the market price risk inherent in the Company's portfolio by maintaining an appropriate spread of market risk, and by ensuring full and timely access to relevant information from the Investment Manager. The Investment Committee reviews the investment performance and financial results, as well as compliance with the Company's objectives. The Board seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities, which are sufficient to meet any funding commitments that may arise. The Company does not use derivative instruments to hedge against market risk.

Interest Rate Risk: The Company's assets include liquidity funds, the values of which are regularly reviewed by the Board, as referred to above. The Company does not use derivative instruments to hedge against interest rate risk.

The interest rate risk profile of the Company's financial assets at 30 September 2007 was:

	Financial Assets on which no Interest Received £'000	Fixed Rate Financial Assets £'000	Floating Rate Financial Assets £'000	Total £'000	Weighted Average Interest Rates %	Average Period to Maturity years
Equity shares	13,728	-	-	13,728	-	-
Non-equity shares	713	-	-	713	-	-
Loan stock	-	4,056	-	4,056	9.2	4
Liquidity Funds	-	-	4,051	4,051	5.9	-
Cash	-	-	1,194	1,194	-	-
Debtors	769	-	-	769	-	-
Total	15,210	4,056	5,245	24,511	-	-

The financial liabilities are the unsecured loan notes of £108,000 which carry a 3.75% coupon, C share liability of £8,433,000 and deferred share issue expenses of £313,000.

The Company has no financial liabilities other than creditors of £9,000 at 30 September 2007.

The interest rate risk profile of the Company's financial assets at 30 September 2006 was:

	Financial Assets on which no Interest Received £'000	Fixed Rate Financial Assets £'000	Floating Rate Financial Assets £'000	Total £'000	Weighted Average Interest Rates %	Average Period to Maturity years
Equity shares	15,635	-	-	15,635	-	-
Non-equity shares	1,331	-	-	1,331	-	-
Loan stock	-	3,118	131	3,249	10.2	4.8
Liquidity Funds	-	-	351	351	6.2	0.2
Cash	-	-	129	129	-	-
Debtors	686	-	-	686	-	-
Total	17,652	3,118	611	21,381	-	-

The only financial liabilities are the unsecured loan notes of £56,000 which carry a 3.75% coupon.

21. Post Balance Sheet Events

The Fund has made the following investments and disposals since the period end:

Sale		£
30 October 2007	Signature Brands Limited	£90,000
Purchase (Ordinary share) 30 October 2007	The Fin Machine Company Limited	£200,000
Purchase (C share) 30 October 2007	The Fin Machine Company Limited	£1,000,000
Purchase (Ordinary share) 22 January 2008	Hill Station Plc	£172,500

22. Geographical Analysis

The operations of the Company are wholly in the United Kingdom.

23. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees and financial commitments of the Company at 30 September 2007.

24. Transactions with the Manager

During the period ended 30 September 2007 the Company paid £647,000 (2006:£461,000) to Electra Quoted Management, the Investment Manager. At 30 September 2007, the Company owed £218,000 (2006:£59,000) to the Investment Manager. Details of the Investment Manager's fee arrangements are included in Note 2.

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of Electra Kingsway VCT Plc will be held on 27 February 2008 at 10.00am at Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolutions 7, 8 and 9 will be proposed as Special Resolutions):

Ordinary Business

1 To receive, consider and adopt the Reports of the Directors and Auditors and the Company's Accounts for the year ended 30 September 2007.

2 To approve the Directors' Remuneration Report for the year ended 30 September 2007.

3 To re-elect Mr NRW Ross as a Director of the Company.

4 To re-elect Mr DJ Sebire as a Director of the Company.

5 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

6 To authorise the Directors to fix the remuneration of the Auditors.

Special Business

7 THAT the Company be and is hereby authorised generally and unconditionally in accordance with Section 166 of the Companies Act 1985 (as amended and in force from time to time) (the "Act") to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares of 1 penny each and C shares of 1 penny each (the C shares), provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 1,987,933 or such lesser number of ordinary shares as is equal to 10% of the total number of ordinary shares in issue as at the date of the passing of this resolution and the maximum number of C shares hereby authorised to be purchased is 909,315 or such lesser number of C shares as is equal to 10% of the total number of C shares in issue as at the date of the passing of this resolution;

(ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share or for a C share shall be 1 penny;

(iii) the maximum price (excluding expenses) which the Company may pay for each ordinary share or C share cannot be more than the higher of:

- 105% of the average market value of an ordinary share or C share for the five business days prior to the day the purchase is made;
- the value of an ordinary share or C share calculated on the basis of the higher of the price quoted for: (a) the last independent trade of; or (b) the highest current independent bid for, any number of the ordinary shares or C shares on the trading venue where the purchase is carried out;

(iv) unless renewed, the authority hereby conferred shall expire on the earlier of 27 May 2009 or the conclusion of the Company's Annual General Meeting in 2009 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares or C shares which will or may be completed or executed wholly or partly after such expiry.

8 THAT the Articles of Association in the form produced to the Meeting and, for the purposes of identification, signed by the Chairman, be approved and adopted as the Articles of Association of the Company with effect from the end of this Meeting, in substitution for the existing Articles of the Company.

9 THAT the name of the Company be changed to Acuity VCT Plc.

By order of the Board of Directors
PJ Dyke, Secretary, Paternoster House,
65 St Paul's Churchyard, London EC4M 8AB
23 January 2008

Notes

A A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in their place. A proxy need not be a member of the Company.

B A Form of Proxy is provided. To be effective, the Form of Proxy and any power of attorney under which it is executed (or a duly certified copy of such power) must reach the Company's Registrars, Capita Registrars, P.O. Box 25, 34 Beckenham Road, Beckenham, Kent

BR3 4BR, not less than 48 hours before the time of the Meeting or adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used. Completion and return of the Form of Proxy will not prevent a member from attending and voting at the Meeting.

C In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares and or C shares entered on the register of members of the Company as at 6.00pm on 25 February 2008 (the "Specified Time") shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares and or C shares registered in their name at that time. Changes to entries on the register of members after the Specified Time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

D If the Meeting is adjourned to a time not more than 48 hours after the Specified Time applicable to the original Meeting, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled, members must be entered on the Company's register of members at a time which is not more than 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

E The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the close of the Annual General Meeting, and will be available at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting:

- the existing Articles of Association of the Company.
- the proposed new Articles of Association of the Company.

F Short biographical details of all of the Directors are contained in the Report & Accounts for the year ended 30 September 2007 on page 14.

G If you are a person nominated to enjoy information rights in respect of the Company pursuant to section 146 of the Companies Act 2006, you should be aware that you may have a right under an agreement between yourself and the member who nominated you to be appointed, or to have someone else appointed, as a proxy entitled to attend and speak and vote at the Meeting. You are advised to contact the member who nominated you for further information on this and the procedure for appointing any such proxy. If you have no right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or you do not wish to exercise such right, you may still have the right under an agreement between yourself and the member who nominated you to give instructions to the member as to the exercise of voting rights at the Meeting. You are advised to contact the member who nominated you for further information on this.

H The total number of issued Ordinary Shares in the Company and issued C Shares in the Company on 23 January 2008, which is the latest practicable date before the publication of this document, is 19,879,331 Ordinary Shares and 9,093,156 C Shares.

If you have sold or otherwise transferred all your Shares in Electra Kingsway VCT Plc, you should pass this document and other relevant accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was made, for transmission to the purchaser or transferee.